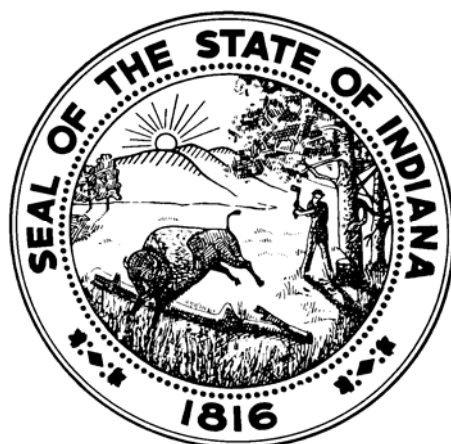


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF
DEPARTMENT OF EDUCATION
STATE OF INDIANA
April 1, 2004 to September 30, 2006



FILED
01/10/2007

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AGENCY OFFICIAL

Office

Superintendent of Public Instruction

Official

Dr. Suellen Reed

Term

01-08-01 to 01-12-09



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DEPARTMENT OF EDUCATION

We have reviewed the receipts, disbursements, and assets of the Department of Education for the period of April 1, 2004 to September 30, 2006. The Department of Education's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Department of Education are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

December 12, 2006

DEPARTMENT OF EDUCATION
REVIEW COMMENTS
September 30, 2006

SDO FUND RECONCILIATIONS

As stated in our prior Report B23119, the Indiana Department of Education has not performed monthly reconciliations between the check register and the Special Disbursing Officer (SDO) advances.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7).

INTERNAL CONTROL OVER REVENUE COLLECTIONS

As stated in our prior Report B23119, we noted that for revenue collections related to IDOE sponsored workshops there were no uniform procedures set by the accounting division; each division had its own system. A cash receipts journal was not maintained and most divisions do not issue receipts.

Indiana Code 5-13-5-1(a) states: "Every public official who receives or distributes public funds shall:

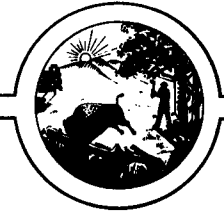
- (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cash book daily to show funds on hand at the close of the day."

Each agency, department, institution or office should have internal controls in effect, which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

DEPARTMENT OF EDUCATION
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2006, with Yvette Hauser, Director of Accounting, Risa Regnier, Director of Human Resources; Bill Riley, Fiscal Policy Analyst; and Jeff Zaring, State Board of Education Administrator. The official response has been made a part of this report and may be found on pages 6 and 7.

Indiana Department of Education



Dr. Suellen Reed, Superintendent
Room 229, State House • Indianapolis, IN 46204-2798 • 317/232-6665

January 8, 2007

Mr. Bruce A. Hartman
State Examiner
State Board of Accounts
Room E-418, IGCS
Indianapolis, IN 46204

Dear Mr. Harman:

This letter is our response to the findings in your recent State audit of the Indiana Department of Education for the period April 1, 2004, to September 30, 2006.

Finding: SDO Fund Reconciliation

As stated in the prior Report B23119, the IDOE has not performed monthly reconciliations between the check register and the Special Disbursing Officer (SDO) advances.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7).

Response

We concur with this finding. Although we do perform monthly reconciliations between the bank statement and the check register, reconciliations between the check register and total SDO advance are not being performed.

Because the Department participates in the Travel Card program for approved employee airfares, which are automatically deducted from our SDO bank account on an ongoing basis, we have had difficulty in determining a format that will allow us to make actual monthly reconciliations. Following helpful discussions with the Board of Accounts examiners and working with suggested formats, we will now begin making these required reconciliations.

Finding: Internal Control over Revenue Collections

As stated in prior Report B23119, for revenue collections related to IDOE sponsored workshops there were no uniform procedures set by the accounting division; each division had its own system. A cash receipts journal was not maintained and most divisions do not issue receipts.

Mr. Bruce A. Hartman
January 8, 2007
Page 2

Indiana Code 5-13-5-1(a) states: "Every public official who receives or distributes public funds shall:

- (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cash book daily to show funds on hand at the close of the day."

Each agency, department, institution or office should have internal controls in effect, which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1).

Response

We concur with this finding. Various divisions within IDOE periodically collect registration fees for Department sponsored conferences and workshops and each division has maintained its own system for recording this revenue. The accounting division will establish a procedure for the receipt of registration fees that meets the requirements of IC 5-13-5-1(a) and work with all divisions to ensure that the procedure is uniformly followed. These revenues are received in the form of checks or money orders; no cash is received. Acknowledgment that the payee is registered for a specific conference or workshop has served as the payees' receipt.

We appreciate the assistance provided by the Board of Accounts examiners and the courteous and professional manner in which they conducted this audit. Please contact me if you have any further questions or comments.

Sincerely,



Dr. Suellen Reed
State Superintendent of
Public Instruction